ADVANCED Management

NOVEMBER 1959

IN THIS ISSUE: *Using Retired Business Executives in Teaching* • **Boards of Directors: Their Composition and Significance** *Communication for Control* • **A Prescription for Creative Management** • *An Analysis of Taylor's Wage Theories* • **Common Sense in Manager Development** • *Resolving the Line-Staff Muddle*

"Through research, discussion, publica-
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inciples governing organized effort in in-
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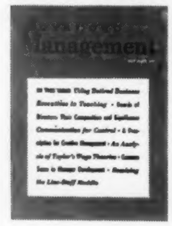
DVANCED MANAGEMENT, published month- by the Society for the Advancement of Manage- ent, Inc., 74 Fifth Avenue, New York 11, N. Y., successor to The Society for the Advancement of anagement Journal, the Bulletin of the Taylor ciety and of The Society of Industrial Engi- ers. Reentered as second-class matter, December , 1949, at the Post Office at New York, N. Y., der the Act of March 3, 1879. U. S. and Canada Subscription tes: $8.00 per year. Foreign Subscriptions: $9. ngle copies: 75 cents (members); $1.00 (non- embers). All members receive this publication, which $4.00 of their dues is allocated. Reprints articles readily available in quantity, price hedule on request. An index to ADVANCED ANAGEMENT is published annually, and the ntents are also indexed in Industrial Arts Index, ailable at Public Libraries. Notification of ad- ess changes must be given four weeks in advance. e editors will be pleased to review manuscripts bmitted for publication, but will not be respon- le for loss in transit, safe custody or otherwise.

VOL. 24 NO. 11

NOVEMBER, 1959



ADVANCED Management

Progress Through Enlightened Management

CONTENTS

ADVANCED
Management
NOVEMBER • 1959

Using Retired Executives As Teachers of Business Policy

by Thomas N. St. Hill and Waino W. Suojanen

Not only do students benefit from a close relationship with a "real" executive . . . he is also one of the factors to be considered by the university administrator faced with a shortage of professional instructors.

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MANY SCHOOLS of business administration, including the University of California at Berkeley, have adopted policies whereby retired executives who have had distinguished business careers have been invited to become members of the university faculty.

The presence of these retired executives on the business school faculty has many advantages. They bring to the academic environment the viewpoint of the practicing administrator. Their association with the members of the professional faculty enables the latter, at least in a vicarious way, to keep in touch with the realities of the business world. Students benefit equally from a close relationship with "real" executives; to see and listen to a manager in the flesh has an impact which is missing in the intangibles of the textbook or the abstractions of the classroom.

In the course of the next decade or two, schools of business administration throughout the United States will encounter the twin problems of greatly increased enrollments and a scarcity of qualified faculty members. During this same period of time, numerous high-ranking and well-qualified business executives who are sincerely interested in teaching will retire to lives of enforced idleness lacking in mental stimulation. An obvious solution to the problems of the business school and the desires of retired executives to continue in a productive capacity is to increase the proportion of non-professional members on the business school faculty. Not only can the retired business man bring the point of view of the practicing administrator to the faculty and the students in the school, he is also one of the factors to be considered in the supply and demand situation centering around the shortage of professional instructors.

Here at Berkeley we have been experimenting how best to use the talents of retired business men in our courses in business administration. One subject in which we have had considerable success is Business Administration 191, Management Problems and Policies. As the title implies, this course is designed as an "integration of the subject matter of the required courses in business administration through the study of the problems of top management organization, administrative techniques and policy formulation." Traditionally, this course, then offered by professional faculty, has combined extensive reading combined with both oral discussion and written analysis of cases.

However, during our experiments in this area, we have introduced a number of innovations in teaching philosophy and technique. In other words, we have attempted to approach the subject from the point of view of making the best possible use of the experience and talent of the teacher who is a retired executive without surrendering the academic rigor which is necessary in a capstone course. Otherwise, there would be a tendency for the discussions to deteriorate into aimless "bull sessions" on to be excessively concerned with the personal reminiscences of the instructor.[1]

Course Organization

At the present time, one of the authors teaches two sections of the course in Management Problems and Policies.

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1 One of the authors was employed for many years in a food processing firm which was later acquired by one of the large food chains. At the time of his retirement, which coincided with this merger, he was president of the food processing firm. After retirement, he was appointed a lecturer in the Department of Business Administration at the University of California, Berkeley.

Each section meets twice a week and each class session is one and a half hours long. In order to preserve academic rigor and to have substantive material available for ready reference, a textbook is used and students are assigned readings from it in accordance with the schedule established by the course outline. Outside reading references are also used to supplement the text.

Case material is also employed, but it is unique in both philosophy and presentation. Instead of using non-related material in line with the traditional case method, all of the cases relate, on a continuing basis, to the policies and problems of the food processing firm of which one of the authors is the former president. This variation of the "living case"[2] method has many advantages, as well as certain disadvantages, which will be discussed later. In addition, the information that is distributed to students in the reproduced case material, is supplemented by employing a variation of the "incident process."[3]

Method of Presentation

During the semester each student is required to make a number of major decisions, as well as several minor ones, in connection with the policies of the Pacific Food Products Company.[4] The role of the student is that of a member of the Board of Directors of the organization.

The basic factual and historical data about the company are set forth in a fairly detailed summary which has been reproduced and is distributed to the students when the semester begins. At subsequent class meetings, additional factual material concerning each particular policy matter to be discussed is distributed to the students. This material in turn is related to pertinent chapters in the text.[5] The reproduced case material, however, does not include all of the factual data necessary to arrive at an intelligent decision in the case under discussion. Additional information that the students feel they need must be elicited from the instructor in class discussion. The development by the student of the data required to make a reasoned decision is considered to be a very important part of the course since it aids the instructor in evaluating the ability of the student to get down to essentials.

The fact-finding phase of a case takes place in the class meeting after the data have been distributed. This enables the student to read the relevant text material as well as to study the particular incident and relate it to the summary information about the company. In connection with each case the student is required to present a written decision which consists of the statement of the problem, the decision and the reasoning to support this particular alternative. Student grades are based on (1) ability to analyze problems as evidenced by the written-reports; (2) the ability to present clear and reasoned written decisions within the prescribed five hundred word limitation; (3) participation in class discussion including both oral presentation of an individually assigned case as well as fact finding ability, and (4) a final examination.

Teaching Advantages and Disadvantages

One of the principal advantages of this method of instruction is that the problems are all related. Building all of the cases around the operation of one company emphasizes the effect of decisions in one area of activity on the operation of another area. As a result, the students get "the feel" of being part of an actual organization and take an increased interest in working out the problems of the company. The fact that the problems are the same ones that actually confronted the instructor and his firm tends to create interest on the part of students.

Because the instructor knows the history of the company he can supply the background data that students feel is needed to arrive at solutions to the cases. In turn, the fact that the students have to extract certain pertinent data is most important in training them to make decisions. This more closely approximates the process of decision making in business than is true of the usual case method. Too often in the latter instance, the case must be simplified either to the point where the decision is obvious or so complicated that it is difficult if not impossible to obtain the desired information. Similarly, where the traditional case method is employed, students must often make assumptions on their own. When several students employ different assumptions complications inevitably arise in attempting to arrive at a common solution.

The participation in the discussion of a case or incident by the instructor who has had the experience of working in practice with the problem at hand adds realism to the course. The instructor is aware of what decisions were made and which decisions turned out to be good and which ones turned out to be poor. Furthermore, he will, if honest, point out the mistakes emphasizing the fact that to make mistakes is not unusual, the important thing being to recognize them and correct them promptly and not make the same one twice.

In many instances where the traditional case method is used, the necessary theoretical information must be included in the narrative. We have found that the method developed here makes it possible to present the substantive continuity through the text and outside readings to preserve the administrative continuity through the related cases. As a result, the instructor does not need to present "lecturettes" as is often necessary with the usual case technique. Rather th

[2] See J. W. Towle and C. A. Dauten, "'Living Cases' for Management Education", *Advanced Management,* May 1957, pp. 24-26.

[3] Paul Pigors and Faith Pigors, *The Incident Process: Case Studies in Management Development,* (Washington, D. C., The Bureau of National Affairs, Inc., 1955) pp. 101-127.

[4] This is a fictional title.

[5] At present, the text being used is W. H. Newman, *Business Policies and Management,* 3rd ed. (Cincinnati, Southwestern Publishing Co., 1953).

their own executive development programs . . .”

present method provides almost automatic continuity to both the text and case material.

The retired businessman, unless he has had some previous experience in education, probably cannot immediately teach a course as effectively as a professional instructor. He has much to learn and his first attempts may fall far short of the desired results. For this reason, it is desirable to train the ex-businessman by having him first observe a professional instructor and later participate in teaching with a more experienced colleague. After this, he will be ready to step out on his own.

In any event, the retired businessman-teacher must possess a suitable temperament. His decision to continue in an active and productive role must be motivated by a sincere desire to teach rather than as a solution to his own personal problem of gradually easing himself into retirement. Probably most important of all, he must learn to be patient and tolerant with students who possess far less experience and knowledge than did his colleagues and subordinates in the business world.

Student reaction to the method of presentation has been very favorable. The following comment is illustrative:

> I would also like to add that this course has been more interesting and beneficial to me than any other course that I have taken at this university. It is one course that should be required of every student in the school of business. The way it was conducted and everything about it was excellent.

Results of student reaction sheets are almost unanimously in favor of using cases dealing with the Pacific Food Products Company rather than using discontinuous and unconnected cases. Also, the students indicate that they prefer cases dealing with the Pacific Food Products Company alone rather than some combination using other case materials. This is especially significant since one of our fears was that concentration on the affairs of only one company might be so limited in scope that students would complain that the course was too narrow in its basic case presentation.

Future Possibilities

The method outlined above presents a number of other possibilities which we have not yet fully explored. Case material tends to become obsolescent quite rapidly unless efforts are made to keep it up to date. In this respect, the "living case" approach possesses certain advantages over the traditional case method. One thought which we have not yet investigated but which has merit, is to have the businessman-instructor go back to his former firm during the summer and bring his case material up to date. This procedure would also reduce the pressures of available time that are found in the "living case" method which uses operating executives as instructors. In other words, the instructor has ample time to pull the course material together prior to the personal appearance of the operating executive or, if desired, he can present the material to the class himself using the approach which we have outlined.

In these days when everyone is concerned with feedback, the ex-businessman-instructor can also be utilized by his former firm in the role of consultant to active management if so desired. His experience in the classroom should prove valuable here because the nature of his academic work is such that he must remain familiar with the operations of his company. Both students and the company stand to benefit from such an arrangement.

Although this experiment has been concerned only with the Administration and Policy area at Berkeley, we visualize that similar arrangements would work out very well also in case fields such as Marketing, Production Management and Finance, to name only a few. Perhaps the course content could be broken down in such a way that lecture material would be taught by professional instructors and case material by ex-businessmen-instructors. This arrangement would go a long way in solving faculty staff needs as well as lending more realism to case presentations.

This method can also be used as a source of case material. We visualize that transcriptions could be made of the material developed at the question and answer sessions employing either a stenographer or a tape recorder. The case writer would, of course, be in attendance at such sessions. Using the written incident material as an outline and the transcript of the question and answer session for factual data, cases could be developed much less cheaply than by the commonly utilized method of sending a researcher into the field. Furthermore, the written case material obtained through this method would present the relevant data and students therefore would have to make less assumptions on their own.

Once the case material for a particular company has been developed vertically (from the policy viewpoint), it could then be combined with similar material and be presented horizontally. By this we mean that cases concerned with financial policies in Company A could be combined with cases on the financial policies of Company B, C, D and so on for a series of cases on financial policy. Thus, the case material on the various companies would be preserved and constitute a basis for using the traditional case method. Obviously, such cases would be bulkier but at the same time they would include more of the relevant data because of their earlier inclusion in a policy course.

Needless to say, the method we have developed can be profitably employed by business firms in their own executive development programs with all of the advantages we have indicated above. As a matter of fact, the ex-businessman-teacher could again be in a position to aid both his own company and the School of Business Administration by splitting his duties between the two. By using him as the focus, the costs incurred in collecting the case material would be "allocated to two products" to the benefit of all participants. By the same token, the "feedback" would multiply and result in much better case material over the course of time. ■

With the general separation of management and ownership, corporate objectives are frequently blocked by conflicting interests among public opinion, consumers, employees, stockholders and government. Successful reconciliation may depend on:

THE BOARD OF DIRECTORS

An often neglected subject in the literature about management and corporate organization is the nature and composition of boards of directors. This intriguing dimension of corporate life has led us to examine a selected and diversified list of large American corporations, for the purposes of (a) statistically tabulating the incidence of predominantly inside vs. outside boards of directors; (b) determining any significant reasons why an inside or outside director "mix" exists for various industry classes; and (c) inquiring into the trend, if any, in the composition of boards of directors.

The primary source of data for this study is the 1958 proxy statements submitted by the companies examined to the Securities and Exchange Commission. Other sources used will be referenced.

To avoid semantical difficulties, let us define or identify our terms. A large company, as examined in this study, pertains to a "blue chip" or "light blue chip" organization whose common stock is usually publicly traded over one of the organized exchanges. An inside board member is a director who also, is an executive officer of the firm (the parent or subsidiaries). An "insider" may be a present, past or retired officer of the firm. In our study, it was not always possible to discern if a director was formerly engaged in an executive position with the firm. An outside director is a member who attends meetings of the board without being

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y Robert E. Kennedy, Jr.
and Rhea H. West, Jr.

ts Composition and Significance

ngaged in the internal management of e firm.

For purposes of the study, comanies are placed into three major lasses: industrial, public utilities and nancial organizations. Within each of hese broad classes, firms are further lassified into their specific industry roups. A group, as used in this study, onstitutes a selected number of firms elonging to a specific industry (e.g., teel).

he Board of Directors

Corporate stockholders and direcrs constitute a reciprocal relationship. he voting stockholders elect the board f directors of the corporation. In turn, e directors represent the stockholders the general management of the firm nd in the determination of policies at the corporation will pursue. The irectors must elect the necessary excutive officers: president, vice-presients, secretary and treasurer. These fficers, elected by the board, are reponsible for the concrete administraon of policies, and they are audited in eir performance through periodic reorts to the board of directors.

The full board may meet as infreuently as once a year, although norally the directors convene more often an this. For example, the board of irectors of the Standard Oil Company f New Jersey meets as often as once week. The chairman of the board holds the prerogative of calling extra meetings when such a need arises. Usually the board divides into committees, which may meet more frequently than the full board.

The board of directors must adopt a set of by-laws which form a framework of rules under which the board operates. The by-laws supplement and reenforce the corporate charter (the latter document being more general in scope). Aside from the duties specified in the by-laws, directors have various responsibilities that arise from state or common law.

A great evolution in corporate organization is the general separation of management and ownership. Accordingly, management must function in the interests of the stockholders, principally through the distribution of adequate dividend payments. But more than this, the board of directors have evolved into a sort of trustee for society, attempting to harmonize corporate objectives with the sometimes conflicting interests among public opinion, consumers, suppliers, employees, stockholders and government. This is no easy task—the problem of reconciling these diverse interests. One is disposed to ask the unresolved question of whether inside or outside boards are better prepared in their orientation and functions to serve and reconcile the needs of the various groups?

The boards of directors of American corporations occupy a profoundly important position, as one can readily perceive, for guiding business enterprise in a free society toward meeting their total objectives in a swiftly changing world. Yet very little thought or study, by comparison to other phases of business activity, has been accorded to the board of directors.[1]

Some authors reach the extreme, but interesting, conclusion that the board of directors is one of management's least-used assets, and that it merely needs revitalizing to become a valuable managerial resource.[2] Even recognizing the limited use of many boards of directors, it is clear that corporate directors, in the main, wield a very considerable influence over the affairs and direction of corporate life.

Having examined briefly the functions of boards of directors and their responsibilities and duties, we turn now to the comparative merits of outside and inside boards.

Case For Outside Board Members

The advocacy of outside board membership can be supported on various grounds. Partly it arises from tradition: the American attitude toward democratic processes and concentration of

[1] Copeland, Melvin T. and Towl, Andrew R., *The Board of Directors and Business Management*, (Andover: The Andover Press, 1947), p. v.

[2] Smith, E. Everett, *Put the Board of Directors to Work*, (Boston: The Harvard Business Review, May-June, 1958), p. 41.

power. A predominantly outside board constitutes "checks and balances" to the potential misuse of corporate power by an inside managerial-director group. Then, too, the growing orientation of corporations to external affairs supports the need for outside directors who may enhance the company's prestige with various segments of public opinion. Thus, the desirable features of outside boards are well worth enumerating.

1) There is the supportable feeling that outside boards members should be free of the influence of inside members, e.g., the president of the corporation. An outside director would not fear (for his job) by taking a conflicting position or arguing a point contrary to the views of the corporate executive-directors.

2) Outside board members often possess a wealth and variety of business experience, by virtue of being directors of other corporations. In this respect, commercial and investment bankers are invited to serve as directors of a wide range of major American corporations.

3) There is the justifiable fear that inside (officer) directors become imbred and inflexible in their ways. Such self-perpetuating autonomy is often the crux of bureaucracy and the bane of any vast organizational structure. It is for the reason of imbreeding that many universities refuse to hire their own Ph.D. graduates.

4) Sometimes it is necessary to go outside the firm to acquire a specialist in a field of vital interest to the firm. Today, there is a perceptible trend toward inviting various types of consultants to serve as board members. In fact, management consulting firms are rapidly growing in importance, in meeting the high-level specialist needs of corporate organizations.

5) There are times and occasions when corporate management is "so close to the job" that they fail to see the broader horizons. The outside director, by the process of transferable experiences, may readily perceive bad practices in operation which go unrecognized for long periods by management. Or, they may envision new avenues for constructive and diversified growth.

6) Outside members often provoke lively and thought-generating board meetings. Conversely, inside board domination can reduce board meetings to "rubber stamping" exercises with its toxic effects on the creative imagination.

7) Outside board members, because of their relative immunity, can be more critical in an objective way of managerial operations and results. The outsider is free to speak up, with little fear of possible retaliation from officer directors of the firm. It is, indeed, unlikely that a vice-president, acting as board member, will be openly critical of the president whom he hopes to succeed ultimately. Opposing the boss is no way to get ahead, as successful "gamesmanship" knows all too well.

Outside Board Disadvantages

Thus far, we can see many good reasons why outside boards of directors may be desirable. But not all is well. There are some unfavorable considerations that deserve to be aired.

1) Frequently, outside board members have divided loyalties, owing to the many boards of various corporations which they serve. The board is a demanding position, and requires the concentrated energies of each member if the full board is to attain maximum fruition. Otherwise, by divided interests, a considerable loss of the potential effectiveness of the board will surely be the result.

2) A director serving many boards will naturally find severe limits imposed on his available time. Both his time and energies will be spread thin, so that he is forced to neglect some of the important dimensions of being a first-rate board member.

3) At times it may be difficult for the outside board member to express the proper feeling of responsibility. He may give most of his time and energies as an executive officer of another firm, so that other directorships will not seem nearly so important to him as the duties and responsibilities attached to his managerial position.

4) Perhaps the outstanding deficiency associated with the use of an outside board member is his lack of knowledge and familiarity with the operations, background, and problems of the company. He may not fully appreciate the unique characteristics of the particular firm, thus proving to be a real deterrent to board effectiveness.

5) One might observe that the typical outside board member receives compensation for this duty far less than the value of his time and knowledge. Accordingly, it is no wonder that many outside directors shirk their implied responsibilities.

Case For Inside Board Members

It is both natural and necessary that all boards of directors have some "inside" representation, such as the president of the firm. However, advocates of inside boards go much farther than this. It is their suggestion that the majority of board members be secured from the top management personnel of a particular company. Let us enumerate some of the desirable features of inside boards.

1) The inside board member is usually possessed of intense loyalty toward his organization. The firm is his chief interest, his main source of employment, and his principal means of income. By contrast, the outside board member may be merely supplementing his income while his primary loyalty and responsibility rests with another firm.

2) By the nature of human relations, an inside board member can usually expect better support and cooperation from his fellow executives and employees. Many inside directors, even with excellent educational backgrounds, resent "outsiders," owing in part to the latter's lack of complete allegiance to, and detailed knowledge of, the firm.

3) Inside directors understand the internal human relations of the firm far better than outside directors. This aspect of organizational life is of growing importance; in fact, the internal personnel problem is becoming virtually the chief concern of many companies.

4) Since he is working daily with the firm, the inside director can deal with the exceptional cases better than the outside director, who may be concerned with merely the general case.

5) The inside director, who has grown-up with the firm, and who has worked long hours as a vital part of management, is more adept than the outside director in dealing with organizational problems. He is simply a better "organization man."

6) The inside director's close association with the firm gives him an inseparable interest in the success of the firm. His own future and success, to a large degree, depends on the future and success of his organization. If the firm "goes downhill" or fails, he likewise acknowledges this to be his own failure.

Inside Board Disadvantages

The potential disadvantages of inside director domination of the board also deserve to be considered. Previously, we have indicated several unfavorable aspects of inside boards, which need not be repeated here.

1) Inside boards often tend to foster an attitude of self-sufficiency and uncritical thinking, especially about various external ramifications of the firm. This is why some outside representation is naturally better adapted to generalized external (e.g., economic and social) interests.

2) An acknowledged practice in industry is the "piracy" of executive talent. An inside director may be lured to another firm by greater salary, enhanced prestige, or promotion in rank. This constitutes a severe cost to the losing firm. It means a double loss of both executive and director talents, which have been carefully nurtured over many long years of training and experience. An outside director can more easily be replaced in kind than the inside executive director.

Findings and Conclusions

Thus far, we have considered the functions and comparative merits of inside and outside boards of directors. In the light of our statistical findings, we may now take up the more perplexing question of why boards of directors are predominantly of either inside or outside composition. In the absence of intensive historical inquiry into this subject, generalization is quite hazardous. However, on the basis of data developed in this inquiry, we feel that a few provisional conclusions may be stated.

The membership of the boards of directors of our sampled corporations varied within a range of 7 to 34 members, with the majority of boards falling within the 12 to 18 membership range. Evidence gives some support to the proposition that the size of boards varies in a positive direction with the size of the company, although there are numerous exceptions to this observation. Nevertheless, as companies grow, the trend is toward larger boards of directors. This, of course, raises the interesting and unresolved question of how large a board should become (or be reduced in size) in effectively discharging its duties. Studies in this area indicate that very large boards tend to become unmanageable and unwieldy, although the 34 board membership of General Motors Corp. would place such a proposition in some doubt.

In our study, no significance is attached to age of board members. Quite a large number of corporate directors are in the age bracket of 60 to 65, which is not a surprising conclusion when it is recognized that "the board is a good place to retire." Probably the average age of directors is not so important as the distribution and range between the youngest and oldest.

In the vast majority of the corporations analyzed, the board composition consists of both "insiders" and "outsiders," but such boards tend to be either predominantly of an inside or outside constituency. Moreover, our industry samples (consisting of several well-known corporations in each industry group) can be viewed as either predominantly inside or outside in terms of board composition. In a general way, it seems evident that the industrial firms studied consist of largely inside boards, whereas the public utility, railroad and finance companies indicate outside boards strongly in the majority.

The industrial firms examined fall conveniently into 17 industry subgroups, of which 12 such groups are dominated by the incidence of inside boards, 3 by outside boards, and 2 in which the pattern is even. Except on historical grounds and a case-by-case study approach, it is rather difficult to explain the preponderance of inside boards in the industrial sectors. One is naturally led to the conclusion that industrial firms enjoy great autonomy and self-direction, without militant stockholders and government regulation; and that they finance growth requirements largely by internally generated funds, divorcing them more distantly from commercial and investment bankers. As a result, coining David Reishmann's phrase, industrial firms are "inner-directed" as evidenced by the predominant character of their boards of directors.

We may take note of the interesting

INSIDE-OUTSIDE DIRECTORS, BY GROUP

Classification	Group With Predominantly Inside Directors	Group With Predominantly Outside Directors	Group With Equal Number of Directors
A. *Industrial*	Chemicals Containers Paper Products Retail Trade (Merchandising) Tobacco Products Drugs Office Equipment Petroleum Products Tires & Rubber Products Automobiles & Auto Parts Machinery & Equipment Miscellaneous	Foods Building Metals (Non-ferrous)	Steel & Iron Electrical & Electronics
B. *Public Utilities*	None	Light & Power Gas Service & Transmission Telephone & Telegraph Rail & Rail Equipment	None
C. *Financial Institutions*	Finance Companies	Banks Insurance (Fire & Casualty) Insurance (Life)	None

SUMMARY OF TABLE, BY GROUP

Classification	Total Number of Groups Considered	Groups With Predominantly Inside Boards	Groups With Predominantly Outside Boards	Groups With Equal Number of Directors on Boards
A. Industrial	17	12	3	2
B. Utilities	4	0	4	0
C. Financial	4	1	3	0

contrast, within the industrial sector, of U. S. Steel and Bethlehem Steel. U. S. Steel has 18 board members, of which 12 are outsiders and 6 are insiders, indicating a predominantly outside boards composition. By sharp contrast, Bethlehem Steel has 21 directors, *all* of whom are inside board members (executives of the firm). In the case of U. S. Steel, its two highest paid executive-directors received less than $300,000 each in annual salaries, whereas in the case of Bethlehem, its two most rewarded executive-directors received in excess of $600,000 each. In this isolated comparison, the implication is clear: inside boards, owing to their unique power, tend to pay higher salaries to executive-directors in the absence of outside checks and balances. While this is an intriguing situation in its own right, it should not be inferred that this tendency generally applies to all or most inside boards, pending comprehensive studies of the salary and compensation scales of major American corporations of both inside and outside board domination.

The 8 groups comprising the public utility and finance classifications yielded convincing evidence of predominantly outside boards. This was no surprise, since the nature of these industries sensibly demand a large number of outside board participants. Banks, insurance companies, railroads, natural gas and electric utilities are closely regulated industries, subject to numerous laws and restraints, and with exceedingly sensitive public relations. It is simply "good business" to have wide external representation on the boards, not merely to placate public opinion, but to help develop additional business for the firms. For example, commercial banks do not generally invite members to serve on their boards unless the "outsider" (typically a competent business or professional person) has excellent business and community connections by which substantial new business (e.g., new demand deposit accounts) may be secured. In any case, board composition in finance and utilities carries a strong public orientation, and goes far to explain the predominantly outside character of these boards.

It is interesting to note that industrial firms, characterized generally by inside board domination, are more profitable than the finance and utilities groups, consisting of predominantly outside boards.[3] The inference does not follow that industrial firms are more efficient than the latter groups. However, it does mean that, owing to fewer regulatory and environmental restraints, the industrial firms can secure wider profit margins on sales and higher rates of profitability on invested capital. Substantial retained earnings, together with considerable depreciation allowances, permit a heavy plow-back policy by industrial firms in financing expansion and modernization requirements. Therefore, industrial managements probably enjoy a considerable degree to immunity from the judgments of various outside groups (e.g., bankers), ensuring a higher measure of self-direction by the internally dominated board of directors. On the other hand, public utilities, constantly seeking new funds in the capital markets, and being sensitive to all levels of public opinion and "socialistic encroachment," are entirely rational in their development of predominantly outside board composition.

By way of conclusion, we have attempted to stay clear of a statement of preferences for either inside or outside boards. It is evident that both types function smoothly and effectively for a vast number of American companies. It is clearly the responsibility of each business organization to strike the appropriate balance between insiders and outsiders in achieving its multiple objectives of survival, growth, profitability, and service. ■

3 Fortune, *The Fortune Directory*, (Chicago: July and August, 1958).

In the view of many experts, upward communication suffers because of the average manager's lack of proficiency in "listening."

Communication for Control

by WILLIAM SCHOLZ

THE MOST URGENT challenges to the professional business manager in the coming decade, according to Ralph J. Cordiner, Chairman and Chief Executive Officer, General Electric Company, will lie in three relatively unexplored areas: long-range planning; organizing, communicating and utilizing information for decision-making; and human motivations.

What is the significance of this prediction for the industrial relations practitioner? Are present concepts and techniques adequate for the job ahead? Or is some new approach needed to meet the challenges?

Of key importance, because it is the common denominator on which progress and success hinge in all three of the most challenging areas for tomorrow's managers, is *communication.* Yet it is in precisely this function that the greatest gap exists between potential and realization.

It would appear that, despite the nearly one billion dollars estimated to be spent annually by American industry on employee communication alone, and the additional fortunes lavished on communication with other publics, effective two-way communication between business and employees, customers, shareowners, suppliers, etc. is more myth than fact. As Charles Redfield asserts in his excellent book, *Communication in Management,* "It is regrettably true that, at a time when the means of communication have reached their greatest development, there is less intelligibility in communication between individuals and groups than at any stage in our history."

(*Continued . . .*)

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Conceding that communication is yet an imperfect art, industry's current failure in this field cannot fairly be charged against a deficiency in technical skill on the part of professional communicators, nor to any lack of effort in communication downward.

Rather, where the failure has been quite miserable is in the area of *upward* communication — the kind of communication which is indispensable for effective planning, decision-making and motivation. Not that a bewildering variety of channels for upward communication doesn't exist in the present-day factory or office. Utilized with varying degrees of effectiveness and popularity are such techniques as "rumor clinics," attitude surveys, counseling, exit interviews, suggestion systems, informative meetings, performance appraisals, etc.

In large part, many experts say, upward communication suffers because of the average manager's lack of proficiency in "listening." Tests of listening comprehension, according to Dr. Ralph G. Nichols, have shown that, without training, white collar employees listen at only 25 per cent efficiency. Upward communication is inhibited, too, by the superior-subordinate relationships, even in the most permissive atmosphere. Most of all, though, upward communication falls short of its potential because it is not demanding enough, of itself and of those who communicate.

Only a small minority of companies, for example, supplement the orthodox upward communication channels with effective study and evaluation on the part of industrial relations personnel of *external* sources of information which could shed light on employee attitudes and predispositions to action. Yet a searching and *structured* examination of the local press—editorials, letters to the editor, and news stories—could reveal much about community and employee attitudes previously thought to be unobtainable. On the national scene, study of the words of economic, political and social pundits in magazines, newspapers, on radio and TV and at conclaves could, if properly analyzed, reveal a wealth of data pertinent to local conditions. Even the statements of politicians, properly discounted for demogoguery, of course, and an analysis of their voting records could contribute materially to a better understanding of the milieu in which local industrial relations decisions and actions take place.

Almost completely ignored as an information source by industrial relations people is the significant work already done and currently being zealously pursued by the social scientists on motivation, communication and both individual and group behavior. While nothing as dramatic as the renowned Hawthorne experiments has taken place in recent years, a vast store of significant research leading to conclusions and implications valuable to the industrial relations practitioner lies fallow in the halls of learning.

And in the area of upward communication through empathy we draw what amounts to a blank. How many management negotiators with unions are so absorbed in what they will say next that they don't even hear the words of the union representatives, let alone become conscious of the unspoken drives, needs, aspirations, frustrations, etc. behind the facade of bluster and bravado?

"What about employee and community attitude surveys?" some may ask. "Don't they show what people think?" Maybe so, if one is willing to concede that people can accurately identify or will always reveal their true feelings. But the industrial relations practitioner is not usually a social scientist. What people think or say they think is of less importance to him than what they do and their predispositions to action. It matters not if employees "love that company," if they still go out on strike. There is even a question as to whether "satisfied" employees are a business asset or a liability if we are to believe Dr. Chris Argyris. "Research suggests," he says, "that the traditional objectives of profit can be achieved by employees who are apathetic, indifferent to the company and alienated from their management and from each other."

If attitude surveys are not the answer, then what of the more pragmatic measures? What will a study of grievances, absenteeism, accidents, or suggestions reveal? Taken singly or weighted and grouped together as the General Electric Company has tried to do with its "Employee Relations Index" project, do personnel statistics offer a reliable clue as to how well employees will perform or what actions they are most likely to take in a labor-management showdown? So far no one has been able to adduce conclusive evidence of any direct and predictable relationship between these statistical measures and job satisfaction, let alone productivity or overt behavior in a problem situation such as an NLRB election or a strike call.

"The deep communication problem," Mr. Cordiner said in his McKinsey Foundation lectures at Columbia University a few years ago, "is not solved by providing more volumes of data for all concerned, or even by faster accumulation and transmittal of conventional data, or through holding more conferences. What is required instead, is a far more penetrating and orderly study of the business in its entirety to discover what information is needed at each particular position in view of the decisions to be made." Peter Drucker, in *Landmarks of Tomorrow,* identified this communication need as "the systematic organization of our ignorance."

These observations have particular significance for the industrial relations manager. For, in common with other managers, what he really seeks in his work is control. His is the job of enabling top management to reach its service and profitability goals through optimum performance of the work force achieved by means of appropriate standards, measurements and incentives. His is the responsibility for foreseeing and avoiding conditions that militate against desired employee performance—strikes and slowdowns, poor morale, absenteeism, feather-bedding, waste and spoilage, distrust of management's motives, etc. He attains his goals through planning, decision-making and motivation. But the control he seeks depends on adequate, rapid and accurate feed-back. And, at the moment, this is what the industrial relations manager is not getting.

climate in which an otherwise innocuous action was initiated."

What we in industrial relations have had to deal with until now is nothing more than a mass of *raw data* which we have been considerably less than skillful at collecting, recording, collating, validating, evaluating, interpreting and communicating. Our need, if we are to rise to the challenge of the future, is thus not necessarily more upward communication, but rather better upward communication; not an increase in assorted bits of unrelated information, but an increase in *usable* information—industrial *intelligence,* if you will.

It is submitted that what is called for is a structured, systematic approach to upward communication, a plan for developing usable information based on the Biblical injunction, "Ask and ye shall receive."

How can we go about obtaining this usable information? One way is to improve and possibly even to increase the channels for upward communication. Another is to remove the roadblocks which currently hamper the *flow* of information. Yet a third approach, and the writer suspects this may be the real Mother Lode, is to channel upward communication into more rewarding avenues. To accomplish this it is suggested that the industrial relations manager has several chores to undertake.

First, he must determine what *specific* information he needs to have in order to maximize his planning, decision-making and motivation. This involves a careful consideration of the courses of action open to employees that may hinder management's plans as well as those that will help them. It calls also for identification of those *conditions* which will influence employee behavior, and for recognition of the indices of these conditions.

Adequate information in these respects should not only be of invaluable help in framing a general industrial relations plan for *all* contingencies, but, as skill in use of the technique improves, should enable the industrial relations manager consistently to anticipate and plan for the *most likely* developments based on an analysis of previously identified actions, attitudes, conditions, or patterns of all of these, which are advance indicators of particular employee or community responses.

In the military, comparable data are known as "essential elements of information," or "EEI." They are specific questions, the answers to which will disclose to a large degree, based on pragmatic experience, which of several alternate plans might have the greater chance of success in view of known factors which could impede or aid such success.

The second requirement for effective industrial upward communication is that the appropriate "essential elements of information" be made known to those who are in the best position to assist in obtaining answers as well as those who will need the information in their planning, decision making and motivation.

Thirdly, there must be a *plan* for the collection of the required information. It should include assignment of responsibilities, identification of sources, deadlines for reporting, and provision for follow-up.

Finally, the industrial relations manager himself has to develop his own abilities to effectively collect, record, collate, validate, evaluate, interpret and communicate for appropriate use the information received.

Too often industrial relations managers confronted with a sticky problem have had no recourse except to rely on intuition in the absence of information.

Far better, the writer submits, systematically to identify the information needed to arrive at reasoned conclusions and then to set in motion a plan to collect it.

Recognizing that, by definition, essential elements of information need to be specific, what might be some typical questions the answers to which would help in choosing intelligently among alternate courses of management action? Here are a few.

"Do employees understand the competitive threat to our business?" If they don't chances are they will resist and perhaps even hamstring any effort to increase productivity.

"Have employees, in general, been relying on overtime pay to meet over-extended financial commitments?" If they have, you can be sure they will take more kindly to a limited lay-off than to a loss of overtime.

"Do employees already feel strongly that they are overworked and underpaid?" We all feel this way to a degree, but there's a point beyond which it's not wise to push people faster than they can appreciate the need for improved individual output.

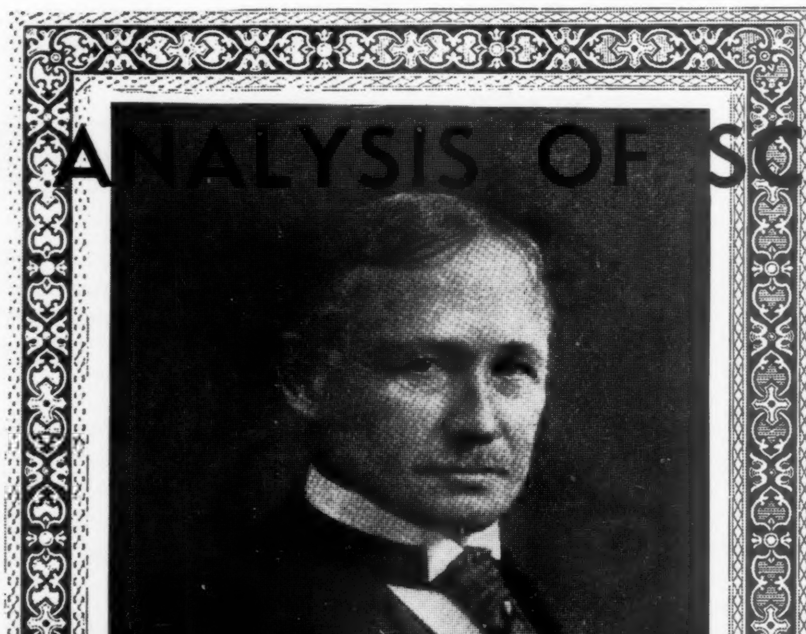
"Are there in existence strong resentments, frustrations and dissatisfactions merely awaiting some overt management action to trigger them into an explosion?" Many an industrial relations man is wiser today for having failed to consider the *climate* in which an otherwise innocuous action was initiated.

"What does past experience suggest would be the most likely employee and community reaction to the alternatives being considered?" Recognizing that no two situations are ever exactly alike, one seldom loses by playing the percentages.

The "EEI" approach to more rewarding industrial relations is no panacea. Properly employed, however, it can be a useful tool which will help close the upward communication gap. It can thus contribute to making the practice of industrial relations more of a science and less of an art. In time, as synthesis based on experience becomes practical, the technique may help achieve a far higher degree of predictability in industrial relations than has hitherto been thought possible. It certainly will aid in control. And, finally, a systematic attempt such as this to overcome our ignorance cannot help but make an important and needed contribution to improved planning, decision-making and motivation in industrial relations. ■

The absence of definite statements on wage theory in the writings of F. W. Taylor has led the author to search the history of wage theories for one or more to which Taylor would subscribe. In this article, the classic wage theories are first discussed briefly—then each is scrutinized in the light of the available writings of the "Father of Scientific Management."

AN ANALYSIS OF SCIENTIFIC



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FI NAGEMENT WAGE THEORIES

by JAMES H. GREENE

SINCE THE TURN of the present century, production in industry has been stimulated as never before. Behind this stimulation, scientific management is to be given its share of honors.

Frederick Winslow Taylor has been credited with fathering the Scientific Management Movement, and was assisted in this task by other prominent people such as the Gilbreths, Gantt, Emerson and a number of others. None, however, was quite so outspoken or wrote so prolificly as Taylor.

All these men had been educated primarily in and were concerned with the exact sciences, such as engineering, yet no group has had a more profound effect upon society and the relationship between the workman and his employer. The workman's wage—and in turn, the entire economy, in many cases—is dependent upon the techniques and the philosophy regarding wages that these men promulgated. It would be expected, then, that they had some concepts concerning economic philosophies and the various wage theories proposed through the years of economic thought.

My purpose is to determine, if possible, what views concerning wage theories Taylor held, and to what wage theories he would subscribe. In this article the better known and accepted wage theories and ideas will be discussed briefly; each one will then be scrutinized in the light of the writings and thinking of Taylor.

Since a chronological approach will be used in the discussion of wage theories it should be remembered that wage-labor, while evident in the very early ages, did not exist as a labor market comparable to today's, in the sense of free laborers obtaining wages for their services. Labor in the early history of mankind consisted of slaves, serfs and others under bondage who arrived in their unfortunate position because of war or debts. We accordingly turn back only to the period of the Middle Ages, and the predominant thought concerning wages at that time.

The Just Wage

The just price and just wage concepts are not ordinarily considered in histories of wage theories by writers in the field of economics, for surely every wage theory has been considered "just", at least to a limited class of people during a corresponding period of history. Even the "Iron Law", a subsistence wage for the worker, must have been considered "just" by the few who proposed it. The just wage, however, cannot be passed by in this discussion without a few remarks, for there is certainly some evidence of the just wage concept guiding Taylor, with whom we are concerned.

This doctrine, stated previously by Aristotle and Plato, was re-established by St. Thomas Aquinas in the Middle Ages and became the guiding philosophy of that era. Based on the idea of a common Father and the brotherhood of men, it assumed that men should behave as brothers, and

that no one should take advantage of another. This was not merely an abstract concept followed and preached in the cloister, but one that people lived by in their deep concern with the hereafter and their transitory stay in this materialistic world.

The just price of an article was the price that was adequate, but no more than adequate, to cover the cost of production as based on the accustomed standards of living of the producers concerned. According to this idea, it is interesting to note the more prominent a position held by a man, the higher would be his just wage. It was not assumed that the just price and just wage could be determined to any great degree of accuracy, but served as a guide in the conduct of exchange as well as in relationships among men.

In *Shop Management,* which was read before fellow members of the American Society of Mechanical Engineers in 1903, Taylor stated:

> "It is safe to say that no system or scheme of management should be considered which does not in the long run give satisfaction to both employer and employee, which does not make it apparent that their best interests are mutual, and which does not bring about such thorough and hearty co-operation that they can pull together instead of apart."[1]

This statement implies the very same thought that St. Thomas Aquinas had, in that a just wage should be given to the employee and in turn the employer must obtain his just compensation.

Taylor goes still farther in advocating just wages than did the people of the Middle Ages, saying that the employee was not to remain in his particular station, but could use higher wages to improve his station. These higher wages were to come from a more efficient use of the employee's time.

His thoughts on higher wages were vividly pointed out by his classic example of stimulating workers handling pig iron. He would ask: "Schmidt, are you a high-priced man?"—thus inquiring of Schmidt if he didn't think that he was a better worker and capable of earning more money than his co-workers.[2] By a "high-priced man," Taylor made himself clear to mean a wage which was high only in relation to the average of the class to which the man belonged. He was quite emphatic that it did not pay for most men to get rich too fast; but he does observe that most men become more thrifty and work more steadily with slightly higher wages.

Taylor deplored the ill effect of unjustly low wages paid during depression periods, and just as strongly deplored the advantage that labor takes of the employer as the pendulum swings to the other extreme of the cycle.

Subsistence Wage Theory

This theory is one of the earliest recognized wage theories and an idea which deals with population rather than labor. Those who have subscribed to this doctrine have done so either from a long range view or a short range view.

The Mercantilists are typical of those who took the short range view. In their preoccupation with the effort of maximizing the national wealth, they were interested in keeping wages at a subsistence level so that the goods of the nation would be competitive and sell in foreign markets. This obviously would promote a favorable balance of trade and increase the wealth of the nation. For this purpose they proposed and enforced a maximum wage.

Typical of Mercantilist thinking was the theory that because of the indolent, the quantity of work obtained from the laborers became less as wages increased, and the lower the wages the longer people would work. Arthur Young, in London, wrote in 1771:

> "If you talk of the interests of trade and manufacturers, every one but an idiot knows that the lower classes must be kept poor, or they will never be industrious: I do not mean, that the poor in England are to be kept like the poor of France: but the state of the country considered, they must be in poverty, or they will not work."[3]

In similar words, Taylor says:

> "It is the writer's judgment, on the other hand, that for their own good it is important that workmen should not be very much over-paid, as it is that they should not be under-paid. If over-paid, many will work irregularly and tend to become more or less shiftless, extravagant and dissipated."[4]

What other conclusion can one draw from the close parallelism of these statements than that Taylor subscribed to a subsistence wage but no doubt to a much higher level of subsistence, if one can speak of a higher level of subsistence?

Long Range Subsistence Theories

The long range subsistence wage theory claims that if there is a temporary scarcity of labor, the wages will advance beyond that of strict necessity and this in turn will cause population to increase. The increase in population will then cause an over-supply of labor, which will in turn lower wages to a subsistence level.

Taylor perhaps came closest to this theory in his discussion of the vicious swing between low wages and high wages. He was no doubt conscious of its effect but gave little consideration to it. No doubt he was cognizant of it when he told how men get accustomed to a "high rate of living and expenditure, and when the inevitable turn comes and they are either thrown out of employment or forced to accept low wages, they are the losers by the whole transaction."[5] Taylor probably would have endorsed Adam Smith, who granted the possibility of the subsistence theories but went on to suggest that a higher wage, by increasing the productivity of man, might pay for itself.

The Wages Fund Theory

This theory is that capital is the fund out of which labor is paid and in fact all of the stock of capital is so used. The wages fund theory was used hand-in-hand with the subsistence theory which was used as the control described before.

If the wages fund theory implies that the size of the fund is fixed and will be divided as a pie, then Taylor could be said to be purely antagonistic toward it. Such an idea would,

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1 Frederick Winslow Taylor, Shop Management, *Scientific Management* (New York: Harper & Brothers, 1947), p. 21.

2 Frederick Winslow Taylor, The Principles of Scientific Management, *Scientific Management* (New York: Harper & Brothers, 1947), p. 44.

3 Edmund Whittaker, *A History of Economic Ideas* (New York: Longmans, Green & Co., 1940), p. 579.

4 Taylor, Shop Management, *Op. Cit.*, p. 27.

5 Taylor, Shop Management, *Op. Cit.*, p. 23.

Taylor, promote "soldiering", a constant problem for im. "Soldiering", as he says, is a conscious or subconscious anifestation of man's desire to protect his self-interest. Ian feels sure that if he works harder or faster he will work imself out of a job or have his pay decrease. "Soldiering" the eyes of those doing it is insurance that the pie will lways be cut the same way. Perhaps the portions will be o larger, but surely they will be no smaller. Taylor went n to deplore the use of "soldiering" which was enforced y contractors in an effort to maintain the wages upon which heir percentage of profits depended.

In Taylor's testimony before the Special House Committee in 1912, he referred to the question common among orkmen, "What would become of those of us in my particular trade who would be thrown out of work in case we ere all to greatly increase our output each day?"[6] His eply was that this view was directly opposite of the truth. He did not, however, prove his point by any reasoning ncluding economics, but made some rather obscure illusions history.

he Residual Theory

This concept is that wages are a residue, being what emains of the product after the other shares such as rent nd interest have been deducted. To support this theory it ould be necessary to determine some method of evaluating he whole value of the product as well as the other components in order to calculate the wage.

Ricardo, in his "Theory of Political Economy", stated it his way:

> "The wages of a working man are ultimately coincident with what he produces, after the deduction of rent, taxes, and the interest of capital."[7]

This theory as explained by some is that the rent, the emuneration for the use of capital, and the increment of rofit for the entrepreneur are fixed by maximums of the arginal utility of land, the going rate of interest and the rofit necessary for risk. The balance goes to make up he wage.

What an optimistic viewpoint we have here for the wage arner to dwell on. For any increase in production would e a direct increase to the wage.

It is of interest to notice how Taylor made use of the esidual theory in his testimony to the House Committee. o him it is a problem of distributing the surplus:

> "Now, this question of the division of the surplus is a very plain and simple one (for I am announcing no great fact in political economy or anything of that sort). Each article produced in the establishment has its definite selling price. Into the manufacture of this article have gone certain expenses, namely, the cost of materials, the expenses connected with selling it, and certain indirect expenses, such as the rent of the building, taxes, insurance, light and power, maintenance of machinery, interest on the plant, etc. Now, if we deduct these several expenses from the selling price, what is left over may be called the surplus. And out of this surplus comes the profit to the manufacturer on the one hand, and the wage of the workmen on the other hand. And it is largely upon the division of this surplus that the attention of the workmen and of the management has been centered in the past. Each side has had its eye upon this surplus, the working man wanting as large a share in the form of wages as he could get, and the management wanting as large a share in the form of profits as it could get . . ."[8]

The Marginal Productivity Theory

In a sense this theory is merely Ricardo's theory of rent as applied to the factor of wages. If the quantities of land and capital are kept constant as successive increments of labor are added, the addition made to the product will decline for each additional man. The employer will continue to hire these men as long as they add more to the product than what he has to pay them. Wages conform to the rate on the margin where the entrepreneur is indifferent as to whether he employs a laborer or not.

If Taylor had ever heard of this concept he apparently had no faith in it. For he had this to say:

> "I do not care what trade you go into, get back to the basic facts, the fundamental truths connected with that trade, and you will find that every time there has been an increased output per individual workman in that trade produced by any cause, that it has made more work in the trade and has never diminished the number of workmen in the trade. All you have to do is to go back into the history of any trade and look up the facts and you will find it to be true; that in no case has the permanent effect of increasing the output per individual in the trade been that of throwing men out of work, but the effect has always been to make work for more men."[9]

While this is not an exact parallel with the Marginal ideal, it would appear that Taylor felt there would be no point of diminishing return as increments of labor are added.

Conclusions

From the foregoing comparisons it would seem that Taylor had no definite concepts of wage theories as such. His knowledge of economic forces was pretty much the same as any ordinary intelligent man would have without making a special study of them. If he had a better knowledge of the theories, he no doubt would have been more coherent and would have made fewer statements which seem to be in conflict.

One gets the feeling that Taylor was guided by a set of emotions barely visible beneath his scientific drive for perfection. He was not alone in his attitude, for it would seem to be a common quality in many men of his day who had so much to do with the promotion of industry in this country.

If there is any one wage theme that constantly reappears in Taylor's writings, it would appear to be the Just Wage. Not that he often pauses to discuss it, but the entire atmosphere of his writing has to do with the brotherhood of men. It seems quite possible that today's industrial engineers, mesmerized by Taylor's techniques and overlooking his all-important philosophy, are missing the maximum good to be obtained from his work. Oddly enough, it was this acceptance of technique and not philosophy that inspired Taylor to publish *Principles of Scientific Management* and issue it at no cost to all members of the American Society of Mechanical Engineers. Perhaps there should be a re-evaluation of his work. ■

Taylor's Testimony Before the Special House Committee, *Scientific Management* (New York: Harper & Brothers, 1947), p. 9.

Whitaker, *Op. Cit.*, p. 590.

[8] Taylor's Testimony, *Op. Cit.*, p. 28.

[9] Taylor's Testimony, *Op. Cit.*, p. 12.

A Prescription for Creative Management

by RALPH N. TRAXLER, JR.

It seems to be appropriate now and then to sit back and take stock of what is happening in management. This is always a somewhat frustrating task. In the first place there is much confusion as to what management is and whether it is the same as or different from administration. Recently Charles Sumner, Jr.'s *Factors in Effective Administration* has helped define the meaning of administration so that there is a better understanding of the manager's job. Of course there is yet to be published a book that so well defines the workings of management as that by R. C. Davis, *The Fundamentals of Top Management*. Davis has used a systematic and logical process of thinking to give a clearer meaning to the basic functions of management. These organic functions described a basic set of fundamentals that every science or art form finds indispensable as a foundation for developing a clearly defined professional classification.

Much like the ancient alchemists, the manager (or administrator) still seeks the magic prescription for success. But like the alchemist he is acting in too many cases as these ancients—without a fundamental basis for developing a clear-cut philosophy. Too many management men think of themselves as scientists and are shocked at the thought of being classified as artists working with a complicated series of human problems. While the major job of management is to get work done (any kind of organized work) another important job is to be a seeker of the truth. Sometimes the truth is hard to find. It is *always* difficult to locate when you do not know where to look.

As R. C. Davis points out, the chief job of management is organization. This, of course, really means a system of organization as a means to an end—not organization for organization's sake. It is the organization man as such that becomes the problem to seeking a logical scheme for management growth. We already in our modern technological world are at the mercy of bureaucratic organization. Nothing so burdens the creativeness of man as over organization. And no matter what we say about the technical problems of organization, free reign for the individual is the real key to finding an answer to a whole host of management problems.

In fact the management problem is very clearly a matter of seeing the need for individual free action in problem solving. Management is largely a continuing process of decision making in an organization framework. Decision making means facing changing situations that require new—and sometimes radical — departures from tradition and standards. This makes the job of management — if done properly — a tough one. And how can a prescription be written for such a rare and complicated process involving the staggering complicities of man's mind and the obstinacy of human perversity?

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ike the ancient alchemist, today's manager eeks the magic prescription for success, ut too often acts without a basis for developing clear-cut philosophy.

The prescription, however, must be considered and if not pelled out in written form at least a scheme or approach r treatment must be considered. An examination of three ain areas may help give us a guide to developing our own ersonal prescription of solving management problems by sing what might be thought of as a creativeness method. his includes the following areas:

1. Mastering the ability to analyze a technical problem organization.

2. Propounding a process for establishing a workable ommunication system.

3. Integrating communications with mastery of self and ereby becoming more expressive in terms of understandg human wants, hopes and fears.

his last is the most important single segment of the "mangement problem." It is the one area that makes it imposble to devise even a complex formula of a management escription for creative decision making.

bility to Analyze Technical Problems

Too many people in management want to jump right into decision-making situation without technical knowledge. his s an extremely human reaction especially in a field here there has not been as much technical development as in other disciplines. This, however, does not preclude the fact that there is plenty of technical knowledge necessary to stimulate a creative decision in management. Such knowledge as thorough mastery of the job, its place in the scheme of the organization and the value to other allied jobs is a must to proper decision making. But decision making based *solely* on job knowledge is lacking the inspiration of innovation and experimentation that gives the needed spark of creativeness to problem solving.

In *Command Decision,* a most graphic dissertation of the top level military decision-making problems in World War II, the emotional desire to "play it safe" almost overcomes the common sense and good judgment built by rigorous training into a group of top level U. S. Air Corps men. During the early days of World War II the Air Corps experimented extensively with long-range daylight bombing. Losses were high and the usual pressure from outside sources screamed for justification. But when the very future of *all* coming military operations depended on three terrible and bloody raids which would mean up to seventy per cent losses, emotion almost overcame technical knowledge and sound military reasoning. It is, of course, a classical situation in which a few are openly sacrificed for the general welfare of the great majority. But the object lesson is found in the fact that reason, knowledge and the creative use of

all that has been learned was almost overthrown for a side objective aimed at attaining an immediate end. This example fits many day-to-day business situations. And a great mass of popular literature about business has continued to emphasize this dilemma. The bothersome and tragic thing about these problems is that emotion is allowed to present a conflict with the need for sound decision based on reason and fact. We have thus become over concerned with what is called the "Big Picture." The management man must forget his preoccupation with the Big Picture. He must focus his attention on using facts in a logical process of thought. And he must consider the welfare of the human equation as the objective toward which he is working and *not* as a means to satisfy or justify a short-term immediate objective.

The reason we are so preoccupied with the human element in decision making is that too often the decision adversely affecting the people involved is bad for *our* career, or *our* prestige, or *our* chance to get ahead. After all, *we* have been almost completely people-centered in everything *we* do or plan to do. The word of warning we *must* consider is that there is a difference between being people-centered in our modern philosophy of the sales oriented personality and making creative decisions that are aimed at solving a problem to assure the maximum for the people concerned. This means utilization of the processes of technical know-how to overcome the short-term emotional problems of being overly people-centered. In short, the true system of decision making clearly focuses on *the* objective and not just *an* objective. It goes without belaboring the point that having clearly defined *the* objective is extremely helpful in creating anything. In many cases the failure to define *the* objective is the main reason for failure to be creative in problem solving and therefore blatantly indecisive. None of this means people are unimportant. Rather, they are so important that any problem-solving session should first consider how people will react and how people will be affected—*long range.*

Workable Communication

The barrier to most understanding is in the area of communication. Problem solving depends on being understood. No creativeness can exist without an *expression* of ideas. Communication therefore is the medium through which we express and instigate our organizational successes. Communication is a very complex part of human relations. It is made up of many factors including the development of technical know-how, a special language of the business, and above all getting to really know the people involved. The last is by far one of the most complicated factors in management. Because of this human factor it is not easy to set up a simple definition of what good communication really is or how it can help the administrator. There has been a whole new field of special literature of communication. Too much of it ignores the practical problem of a clear definition of communication problems in business.

Communication simply means signaling between each other. The picture, word spoken or word written become our main types of signals. But there are many others. These include a smile, a frown, silence and even how we stand or sit. All these things *tend* to communicate — many times falsely and many times misleading. Now every executive or manager at any level has heard of the importance of a good communication system. There is no need to try to analyze what we mean by good communication. But there is a need to know what a communications system actually is. It is in most cases the framework on which is constructed all our technical knowledge and our relationships with people. It is very simply a system whereby management is allowed to express itself. How well we master a system of communication depends on how clearly we define communications.

Recently *Fortune* pointed out that there were more management jobs available than was generally known.[1] It has been assumed that jobs were scarce because there were so many "proven" executives looking for employment. Further investigation proved that these men had plenty of job opportunities but were not the caliber to meet the higher standards required today. What this study did not point out was where these men were deficient. And if you were to ask their bosses the answer would be vague and unrelated to many of the real problems of the business. Usually it is a combination of factors. But all too often it comes down to the general vagueness of: "He does not inspire confidence in his people," "He does not make himself clear," or a number of other such statements. If failure in communications is one of the major faults, where do these men fail?

The Southern Bell Telephone Company recently conducted two-week courses in Barriers to Communication for a group of its middle management people. These sessions aimed at finding where communications broke down. Reports are good concerning the records of the men that took this course. What did they find out? Naturally in two weeks they were able to spend considerable time in discussing the communications problem. Mainly they found out that communication is an inter-personal relationship requiring a thorough knowledge of the people involved and the environment in which these people work. What does this mean?

The key is the knowledge of what makes people click. This means more than just knowing and appreciating the problems of the work force. It means reaching out for an understanding of why people react to certain situations as they do. It means the necessity of spending more time with the people-centered problems and less time with the mechanics of the business. And this so-called generalization actually creates most of the communication problems. Many employees get to be so well known to the boss that they take advantage of the relationship. In other cases the boss has spent so much time getting to know and trying to understand his people that they react to him much as does the over-attended child to a parent. These employees are spoiled with over attention. In still other instances the boss spends time that needs to be given to technical problems—after all technical problems do exist. Employees in some cases get the feeling that the boss is spying. This can be a very unpleasant situation for all concerned. Is there a happy medium—a balance? Yes, there is. But of course there is no exact formula. The supervisor needs to spend time getting acquainted and trying to understand. This is a continuous process as part of the overall job of daily contact. This is the real communication. And of course it is vitally important not to over-communicate.

The very point that all this amounts to is that there is no exact process—or even very vague guide lines—for communication. But every person who must in any sense contact any other person has a communications problem. And it is a problem he must solve by using his own technical

[1] *Fortune*, April, 1958. "The Executive Job Market and The Recession."

knowledge, common sense and native creative ability. We cannot therefore be too careful in saying exactly what good or bad communications amount to. It varies too much with the time, place, people—and even the temperature and humidity.

Integrating Communications with Mastery of Self: Understanding Other People's Wants

Communication, the key to all understanding, is also the key to real creativeness. But communicating does not itself become the sole means by which we achieve mastery of a situation. It is vital to become cognizant of people's wants and needs and by self-control become master of oneself. Since communication is the medium by which we hear and are heard, the vital process of understanding and being understood is extremely complicated. Certainly no factor is more instrumental to success than succeeding with others. This concept has often been misunderstood and made the basis for the "glad hand" approach. Real creativeness comes through knowing and understanding people and departing to them many useful ideas.

Knowing people's wants, needs, hopes and fears establishes the basis for creativeness because it gives the information needed to exploit those factors most necessary to develop new ideas and new methods. The problem is not a simple one nor is it solved merely by cultivating the best "human relations" techniques. Getting to know people is a full-time job. It entails among other things a long period of getting acquainted. The key to knowing people is learning that magic combination that it takes to communicate *with* them—not *to* them. This is the core of the problem. Because communication is a two-way street it entails a lot of listening. Therefore it is sometimes difficult to accomplish the task of getting to know people. Yet it would be the greatest folly to think that we can get to know people by merely listening. Confidence is inspired by communicating. Thus we must talk freely and easily. This is the formula for getting others to "open up."

Since one of the main jobs of any manager is to train his employees, the instruction medium becomes an important part of getting to know people. Instruction by its very nature makes communication difficult because too often it becomes a one way process of telling. This puts up a multitude of barriers between the employee and the boss. Skilled instruction can be well tuned to the *needs* and *wants* and thereby in itself tells a great deal about the persons involved. Let this then be the challenge. Use instruction as the medium to gain that magic key to understanding. Thereby the teacher also becomes a learner. Communication can then become the goal for developing a personalized or individualized system or prescription for creativity. This entails the hardest type of creative thinking because it taxes the ingenuity of the keenest and most skilled minds. But what could be more challenging or rewarding than one day realizing that the near perfection of real understanding has been attained through a really satisfactory communications system? At the risk of repetition it should be emphasized that a good communications system *must* be personalized.

Creativeness is more than a mere mastery of the techniques of good management. Creativeness also requires developing a personal philosophy of management. This very imply means a long range program of self development. The success of such a program depends on a high degree of self discipline. From the mastery of oneself comes a new and stimulated mind in action, rather than the mechanical processes of being a good technical man.

Self Development — Self Discipline

If there is debate about what should be included in the management prescription there is no disagreement about at least one basic component—the need for self development and self discipline. But there are as many problems involved in finding out what self development is needed as there is in identifying a rare but vital chemical element without which a compound is worthless. So the question of self development really is complicated by the fact that each individual poses a new and separate problem. How can we find out what these needs are? Actually this is one of *our* greatest media for developing creativity. Naturally we need to identify development needs in ourselves and our co-workers. This problem is much like that of the skilled designer or engineer who must find answers to unsolved problems. So, too, the creative power is stimulated — and therefore developed — if we are forced to find answers to what self development is needed for the person we are involved with. Only by thoroughly knowing each individual can we hope to find a clue as to his needs.

Care must be taken that the needs are not clouded by what is generally considered standard procedure, developed by some member of a technical organization. Self development *must* be a tailor-made thing. The Bell Telephone system has recognized the need for individual tailoring and has still found valuable the use of formal training facilities of many technical organizations and a number of colleges and universities.

Where do we start to determine our needs and the needs of others for self development? We can start by listing the areas where the people associated with us need help. We try to channel them into these areas. If we began to see some useful results our own worth to the organization is improved—our own creativeness is developed. Of course the hardest thing is to determine our own self-improvement needs. But the best way to do this is to develop a relationship with our boss that may enable us to find out from him what we need to do in the way of improvement.

Self discipline means simply determining what we need to do for self improvement and then doing it. Once we have disciplined ourselves to follow a program, creative power is greatly stimulated and the prescription is more nearly acquired. But no prescription can assure perfect results so in the best traditions of self improvement a continuing search for truth and betterment becomes the standard for excellence.

The best prescription is only a working guide. Creativity is never easy to obtain. The only assurances that improvement is even possible are the many small victories management has made toward evolving a better working society. Certainly there is no substitute for a program that every manager must develop for himself — this might be called a personal philosophy of management. Of course any philosophy depends on many factors, the most important of which is a planned process of disciplinary study. From this can spring fullgrown a new and better personal understanding of what is management, and from such an answer the versatility of a personal prescription of individual management action. ■

"Management has long accepted controls on financial and technical matters. There is no logical reason why it should not accept a control on such a vital asset as talent."

COMMON SENSE IN

by ROBERT S. COE

I. Introduction

DURING THE DEPRESSION YEARS that preceded World War II management talent was plentiful, but jobs were scarce. Sales and profits were the most serious problems of the day, and company policy-makers were inclined to leave matters of employee development to the supervisors and foremen.

Following World War II conditions changed. Capable managers were scarce and industry experienced considerable difficulty in finding the caliber of people needed to gear operations to the levels required by our prosperity. The seriousness of the situation became more and more apparent as the time and costs connected with obtaining management replacements became greater.

The climate of the post-war period was ideal for spawning a trend toward formal programs for the development of managers. As time wore on, more and more people had more and more things to say about the techniques to be utilized and the benefits to be reaped from management development. The programs that were installed became more elaborate and all-inclusive. As the movement gained momentum it began to assume the characteristics of a national fad, and many executives became convinced that management development represented a panacea for their troubles.

With the recent recession realism returned. Industry again became cost conscious, and machinery was set in motion to abolish unnecessary frills. When management development came up for scrutiny many people expressed astonishment at the costs involved and the apparent lack of results. As a consequence some programs were abandoned, some were curtailed and others were viewed with suspicion.

Disillusionment might well result from the failure of a program that seemed at one time to have so much merit. The fact remains, however, that managers will be needed in the future. The fulfillment of these future needs should be based upon planning rather than chance. Therefore, instead of discarding management development, the concept should be examined in its proper perspective, its objectives clarified and its methods improved.

II. Management Development Methods

Any of the following could be indicative of a need for improvement in the methods utilized in developing managers:

1. Going outside the company to obtain top-level people.
2. The demotion and dismissal of management personnel.
3. Major reorganizations necessitated by weak links in the management chain.
4. The utilization of consultants to make analyses and decisions that should have been made by management.

It is not implied that any system of management development will eliminate all or even most of these situations. There is undoubtedly some relationship, however, between the frequency of such actions and the effectiveness of management development.

The management programs most widely used and publicized during the past ten years have involved mass improvement. Warnings of the dangers of creating "crown princes" have been heeded and usually all or large segments of the company population have been included in the programs. The strengths and weaknesses of the employees have been appraised. They have been given special courses and sent to various parts of the country to attend seminars and roundtable discussions. Speakers from various fields of education and industry have been provided. Short term job rotation has been employed. More recently the developmental "climate" and the importance of employee-determined objectives have been stressed.

It is apparent that the objectives of these programs have been rather vaguely defined and that the label "management development" has been applied to plans more directly concerned with personnel improvement and employee relations. Such efforts certainly have some value, but there is little evidence to support the contention that they result in more or better managers.

In order to obtain better estimate

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MANAGER DEVELOPMENT

of the results to be obtained and in order to make wiser decisions for the appropriation of funds, practical analyses and realistic evaluations should be made of all plans to improve the general level of employee efficiency, but such plans should be recognized for what they are and budgeted accordingly. The matter of meeting the future demand for capable managers, however, requires a more direct approach and more specific answers to the questions who?, why?, how? and when?

III. The Three R's of Practical Management Development

There are three elements essential to the advancement of an individual to a management position:

1. REQUISITES — the individual must possess the ability and the desire to assume an important post in the organization.
2. RECOGNITION — the individual must be identified as an employee capable of progressing in the company.
3. RESPONSIBILITY—the individual must be provided with assignments that make increasing demands upon his talents.

Although researchers have met with little success in isolating the factors peculiar to managerial success, it is obvious that employees differ considerably in the degree to which they possess the ability and desire to become managers. There are many combinations and degrees of aptitude, interest, and ambition. Since there is not plenty of room at the top, only those whose qualifications are outstanding possess the requisites for performing executive functions.

The efforts of all employees are important to the success of a company and plans for improving the efficiency of all employees are well worthwhile. In order to prevent the misappropriation of efforts and funds, however, it is imperative that a distinction be made between the requirements of the masses and the requirements of those employees with management potential. In order to provide the company with future leaders, management development should recognize and be primarily concerned with the individuals whose backgrounds and accomplishments indicate that they are deserving of special consideration.

On the road to a managerial position an individual is usually given jobs of increasing importance. With each new responsibility, he has to perform the actions and make the decisions which sharpen his skills and add to his confidence. Thus he learns by doing. Special schooling, coaching, and other aids may supplement his preparation, but responsibility is the key to his development.

IV. The Role of the Incumbent Manager

Generalized employee improvement at the bottom of the organizational ladder may or may not provide the springboard for future managers. It is probable that many management development programs are generalized because it is extremely difficult to identify raw talent and to predict individual success. Rather than starting at the bottom and hoping for the best it is wiser to concentrate on those echelons where some measure of ability has been demonstrated.

The most direct approach for practical management development is to start at the top of the organization. It is the responsibility of the President of the company or the General Manager of the division to groom a replacement for himself. From the available candidates the top man must select one or two and groom them as possible successors for his own job. If, for any reason, he leaves his present position open without a capable heir-apparent he has not properly discharged all the functions of his office. It is also his responsibility to provide the direction that will result in his department heads giving proper attention to the development of successors. By the same token, it is the responsibility of each department head to see that capable management replacements are developed for all important jobs in his organization. In this approach attention is focused on those individuals who have manifested "plus" traits, and work performance rather than potential is the principle factor in identifying promotable personnel.

It is not suggested that management

replacement is a new concept. It is suggested, however, that management replacement is more pertinent to future staffing needs than are the personnel improvement plans that have been devised for purposes of management development. It is also suggested that if the more immediate needs for managers are successfully satisfied, the company will be in a much better position to cope with long-term objectives.

The value of standardized appraisal sheets and other widely-applicable tools are of questionable value in management replacement. It is the judgment and skill of the incumbent manager that is of paramount importance. Not only are his judgments of ability of consequence, but also his judgments of individual limitations. Some jobs are important, but dead-end in nature while others represent excellent steppingstones to higher positions. He must know how to place his people to make the best use of such positions without sacrificing efficiency. He must time his assignments so that they represent appropriate challenges. His timetable for the development of an individual should not be so slow that the person becomes bored and dissatisfied with his progress, and it should not be so fast that it discourages the individual by making impossible demands upon him. He must know how and when to use job rotation for the development of versatility.

Many managers efficiently select and develop replacements without direction from higher authority. Others, however, are like some old baseball players. They feel that they came up the "hard" way and that the younger generation of managers should advance the same way. For this reason it is advisable to initiate a system of control. To insure that proper attention is given to the matter of development, replacement charts, personnel plans, and progress reports should be required. Management has long accepted controls on financial and technical matters. There is no logical reason why they should not accept a control on such a vital asset as talent.

V. The Role of the Management Development Specialist

It is probable that no executive action demands a higher degree of discrimination and sensitivity than the selection and utilization of human resources. The gravity of decisions in this area are in direct proportion to the echelon of the positions involved. Most executives are aware of the tremendous importance of these decisions to the success of the company. They are also aware of the complexities of human traits, the difficulties of developing realistic criteria, and the limitations and subjectivity of their own resolutions and appraisals. For these reasons the effective executive is constantly alert for any assistance that can increase the reliability with which he can identify and develop management skills.

Since there are apparently numerous combinations of qualities which can result in managerial success, and since there are no known measuring devices accurate enough for executive selection, empirical judgment must be used to identify and assess the required characteristics. In order to assure himself that he is making the best possible decisions, the executive should accumulate as much information as he can on each individual under consideration and seek the services of an expert in the evaluation of such information. Whatever the title of his position may be, the management development specialist should be the person to whom the executive can turn for practical advice in this area.

The management development specialist should serve as a consultant to the executives of the organization. With his background and training he should provide the objective analyses needed to implement the observations and judgments of the executives. Although he should be sufficiently familiar with industry to be realistic in his approach, he should be a specialist in human behavior as it relates to the management needs of the company, and his professional insight should provide a very real contribution to the formation of a sound executive structure.

A management development specialist cannot be expected to predict executive success with one hundred percent accuracy. If the specialist is properly selected and utilized, however, he should be instrumental in improving the caliber and stability of the executive team. His recommendations should form the basis for a screening process that reduces executive turnover by eliminating those candidates who are under-qualified or over-qualified for particular management positions. He should be able to analyze the requirements of a position and provide reasonable estimates of what effect such factors as personal habits, family adjustment, and outside interests may have on an individual's chances for executive success. He should be able to offer advice as to which aspects of a potential manager's behavior might be changed or improved and which cannot. He should be able to distinguish individual needs and recommend the assignments and incentives that are appropriate to those needs. He should be able to determine in what cases special coaching or training might be beneficial and in what cases they would be a waste of time and money.

A skilled management development specialist can be an asset to any organization. The extent of his value, however, will depend upon the extent to which the executives of the company recognize and utilize his particular talents.

VI. Summary

In order to realize maximum results in our attempts to develop managers it is suggested that:

1. Many of the things labeled "management development" should be included under the more descriptive categories of personnel improvement or employee relations and that the efforts and money expended on them should be commensurate with their importance to the company.
2. Instead of applying developmental programs to large segments of the employee population that attention be concentrated on those who have demonstrated their capabilities and motivations to the extent that they can be considered for succeeding present managers.
3. Development plans emphasize individual needs for increased responsibility rather than generalized education and personal improvement.
4. The primary responsibility for management development be placed with the incumbent managers rather than with a program coordinator or director.
5. The management development specialist work behind the scenes and that his special skills and abilities be utilized in the areas where they produce the maximum benefits. ■

Resolving the Line-Staff Muddle

By ROBERT D. HULME

"In all things it is good to be precise"

Many articles have been written on the problems of "line" and "staff" relationship. However, not too much has been said about the terms themselves even though it is this area that accounts for a fair share of the estrangement between these groups.

The few attempts that have been made are, to be sure, honest and somewhat incomplete. For example, Edgar W. Smith, a contributor to the American Management Association's *Handbook of Business Administration*[1], concedes that line and staff are terms with variable meanings and that no worker is either *pure* line or *pure* staff. But, in spite of the variations in usage, Smith believes the words must be used. Presumably his feeling stems from lack of better terminology. Other writers have prefaced articles by presenting *their* definition to the reader; then they proceed to forget what they said and use line and staff to mean a half dozen different relationships.

Some attempts have been made to make these words more useful. A management consultant recently wrote a report for a client in which he designated organization functions by expanding line and staff. He indicated that a job which is mostly supervision and little consulting is *line;* a job that is more supervision than consulting is *line, line-staff;* a job which is equally divided is *line-staff* (or *staff-line* depending on the desired emphasis) and so forth. This results in a pattern of degrees of supervisory or consultative responsibility:

line
line line staff
line-staff
staff-line
staff staff line
line

This may be a sincere attempt to find a solution to the problem, yet it seems to lead to further complications. Perhaps six gradiants are not enough; maybe eight or ten or twenty are needed to include all the assorted degrees of line-staff mix.

Alvin Brown omits the use of staff altogether in his *Organization of Industry*[2] on the grounds that it is a misleading term. This is true, but to do as Brown did will not get us out of the muddle.

Common Faults in Line-Staff Usage

Before offering a solution to the problem it might be helpful to look at the faults in our present use of line and staff. In addition to the number one quandary of just *too many meanings* for these words, the trouble is intensified by assuming:

- that all members of a department doing work of a "staff" nature are staff people;
- that line and staff are opposites in meaning (if it's not line, it's staff);
- that staff people are without authority, can advise only;
- that staff people are absolved of all responsibility — that they are expected to wait for an invitation to help the line.

Basic Definitions

If we should stand back and look at these two words, line and staff, from a detached view and ask, "What do they say?" it is probable that the answers would follow a pattern like this:

- **line is a connection between points; in organization it is the up and down direction of reporting relationships between individuals or the *line* of authority.**
- **staff is a crutch or support; in organization it is an aid or adjunct to something, it is an assisting or a counseling relationship between two individuals or two groups of individuals.**

What we have, then, replacing the hodgepodge of definitions are relatively precise meanings. The definitions suggest

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[1] *Donald, W. J. (Ed.), New York: McGraw-Hill Co., Inc.*, 1931.

[2] *New York: Prentice Hall, Inc.*, 1947.

that line and staff are terms indicating distinct varieties of *relationships* between employes. The former is a command relation and the latter a service or counseling relation. But, and this is the important consideration, line and staff are not job titles in themselves.

What does this mean? In effect it means that if these definitions are accepted there are no so-called "line-men" or "staff-men" as mutual exclusive entities. Assuming every man in business has a boss, then everyone is part of a line of organization—or every employe is a "line-man." So, too, assuming that every employe and every department can render help or advice to someone else, there becomes a little "staffiness" in all workers and departments. To be sure, some give little or no service or counsel to others and some are employed full time in such a category, which gives rise to widely varying degrees of "staffiness." Perhaps in practice the president is the only pure line man in an organization.

Righting The Faults

Looking at the five basic faults identified above in terms of the basic definitions of line and staff, what is the result? We can eliminate the first—too many meanings—by restricting the use of line and staff to the suggested basic definitions. In using the definitions, line and staff become words indicating *relationships* between individuals or groups of individuals. For example, line no longer would imply a type of work—actually creating or selling a product—but would be the *relationship* between a man and his boss, and his boss's boss.

The second fault—all staff department employes are implicitly "staff-men"—can similarly be dispelled by use of the suggested definitions. There are, indeed, entire departments established to lend aid or service to others in the enterprise and these groups collectively are in a "staff" relationship with the other departments (a name other than "staff" will be suggested later). But what of all the employes who are not "staff" in one of these departments—the manager coordinating the efforts of several hundred people, a tabulating machine operator sorting punch cards, a supervisor holding rein over twenty typists?

With the third fault, we can again refer to the definitions. Line and staff are not mutually exclusive terms as common usage may lead some people to believe (are you a "line-man" *or* a "staff-man"?). In fact, the usual case is is not *or* but *both* line and staff. If a company follows common organization principles, such as set forth by the National Industrial Conference Board[3], each man in the organization can trace a single unbroken line between himself and the president. This is "the line," or the line-relationship among all the employes between himself and the president. And this of course applies to persons in "staff" capacities also. The president's ghost writer, for example, who is in a staff relationship to the chief executive also has a line relationship to him, probably through the manager of the public relations department.

With respect to the idea that persons in a "staff" capacity are without authority, James Mooney offers some help. In his *Principles of Organization*[4] he distinguishes between line and staff by designating the latter as the authority of *men* and the former as the authority of *ideas*. Going one step farther, "staff" can imply authority *over things* as well as *ideas*. Consider the purchasing agents of a corporation, a group usually conceded to be in "staff" jobs. When a buyer spends thousands of dollars of his firm's money a day, when he decides when to buy and from whom, certainly he is exercising real authority within his procurement function. And is his authority any less real than that of a foreman in a welding shop?

And finally, responsibility. About two years ago the personnel manager of a manufacturing plant in Philadelphia addressed a group of training executives and told them their trouble was that they acted like men with responsibility, but he said that in reality personnel work is "staff work," and staff has no responsibility! What could be further from the truth? To be sure, many personnel people and others in staff relationships use this as a guise; they hide behind the word "staff" in the hope that they are thereby absolved of all responsibility and become content to wait for orders or requests for help from their "line" brothers.

If a personnel, public relations or accounting department has no responsibility, then that department is sheer window dressing. The fact that someone established these functions in order to bring into the organization expert, specialized help is indicative of the responsibility entrusted to them. It is the obligation of these departments to bring to the attention of others in the company those things which their specialty puts them in a position to know more about than anyone else. If, for example, a community dislikes a neighboring plant, the public relations people have the responsibility of detecting this and insisting that proper remedial action be taken to make the plant fit into the community. To do otherwise is to default in their responsibility toward the firm. Even though top management may turn any suggestions down, public relations is still responsible to urge strongly the necessary changes.

What Happens to Staff-Men and Line Departments?

Progress has been made if it has been demonstrated that staff and line are not opposites in meaning and that they refer not to a form of work but to the *relationship* between individuals or groups of individuals. However, by limiting line and staff to a description of the particular relationship between groups or individuals, a new problem results.

It has been convenient to distinguish between those departments that create and sell products and those people or groups that lend non-productive assistance by calling them "line" and "staff" respectively. These words can no longer be properly used in view of our definition. Alvin Brown has suggested that "operating" be used to designate a department contributing directly to the stream of production or distribution. Other functions giving service or assuming some special role in the company should be called "auxiliary." Operating and auxiliary are descriptive words even more so than line and staff, and moreover, have the advantage of limiting the use of the latter two terms to the more precise definition suggested earlier. E. I. du Pont de Nemours & Company in referring to their "industrial departments" and "auxiliary departments" use a modification of this nomenclature. Other American firms have also been following this pattern.

We now have a new name to distinguish between types of departments. Still remaining to be found is a name for the individuals who have been called "staff-men" and "line-men." They must lose these titles through use of the new defi-

[3] *National Industrial Conference Board, Studies in Personnel Policy #139, "Company Organization Charts," New York*: 1953.

[4] *New York*: *Harpers*, 1947.

ition. This problem can be met by mphasizing job-titles that indicate genrally what a person does. This will tend remove the need for saying "Joe is a taff-man' or Jack is line!" It will be nough to say that Joe is a personnel nterviewer or Jack is an electrical engieer, and that one is in an auxiliary epartment and the other in operating. here is the added advantage here, too, of satisfying people's desire to have their job titles accurately reflect what they do for the company.

In all things, it is good to be precise. Because of variations in usage, simple words often cause much misunderstanding. Line and staff have troubled businessmen for years. Many practitioners and students of business have pondered over the problems caused by these words. No one can deny that progress has been made toward increasing common understanding and respect for the individual roles and responsibilities of all departments regardless of their nature. In a large part this can be attributed to those industrial leaders, business school faculties, management associations and others who are contributing to the professionalism of the management function. ■

he Professionalization of Management

The separation of industrial ownership rom control and the growth of a manaerial bureaucracy contributed to the mangement professionalization trend. Berle's nd Means' masterly analysis *The Modern orporation and Private Property* was somehing like a manifesto for the professionalzation of management. In many companies, ith ownership separated from control, anagement acts as a steward of other eople's money. Stewardship may be visualzed in this way. Managers run companies achieve the objectives of the owners. asically, this makes managers intermediries between the art and science of manerial disciplines on one hand and the ownrs of the company on the other.

The concept of stewardship as expressed bove is like a "pure theory." The peculiaries of corporate structure allow managenent to operate fairly independently from he traditional controls usually associated ith ownership.

* * *

The embryonic management profession id not have a particularly inclusive or ophisticated body of doctrine from which draw in order to deal with these probems. There was, to be sure, the literature herited from the scientific management ioneers. But it did not entirely meet proessional needs. In part, the pioneer literaure had broad, philosophical, and almost topian overtones. However, when specifics ere considered, they were applied mainly the operative levels of the organization.

A professional approach needed a rather igh level of abstraction plus generality of pplication and practicality in explaining ow an organization works and what a manger does. Probing the concept of organizaon and isolating and analyzing managenent functions provided a start in this irection.

he Business Plan

Although Ralph C. Davis' early contribuon *The Principles of Factory Organization nd Management* technically belongs to the 920's, it gained wide acceptance during the 930's, and in light of industry changes was evised in the late 1930's. The revised edion, *Industrial Organization and Management*, is probably the most enduring of all xtbooks for college courses in managenent fundamentals.

The quality of this work rests in its comrehensiveness. Davis deals with the uniersality of business elements. Starting with a philosophy, he derives business objectives and the role of ethics, policies, and leadership. From here he moves on to the business functions of creation, distribution, and finance and then to the analysis of management functions of planning, organizing, and controlling.

Davis was not the first to write about industrial management, but he was the first to generalize management processes and to place them in logical relationships. Though he discusses specifics such as quality control, maintenance, supply, and the like, they find direction in the fundamentals laid out first. This work, coming as it did in 1928, was indeed unusual. It filled a definite need for management since it was professionally-oriented.

Organization

"To organize," says Barnard, "is to establish a cooperative system." This statement has dual implications. The first implication is a notion of action—organizing. The second is the resultant of action—organization. This duality created difficulties for a theory of organization. Organizing, as a management function, can be dehumanized. In other words, the relationships among work, the work place, and the people who do the work can be established without reference to personality. However, the management of the resultant, "organization," cannot be done without considering the people who are to be "administered."

A number of attempts to explain the organizing process were fuzzily handled because of the duality problem. Both Dennison and Dutton contributed thoughts to the organization problem early in this period. They began with the premise that the organization is a social system and then proceeded to interpret the effects organization has on the individual.

Henry Dennison, in particular, was concerned with the human side of organization. Such broad matters as social environment, leadership, teamwork, coordination, and mutuality of interests are found in his book. But both Dennison and Dutton devoted much space to showing how the individual can be better adjusted to the organization through the use of fairly conventional personnel management techniques like training, job analysis, and placement. Neither of these works presented an integrated picture of organization, much less a clear understanding of the process of organizing and the functions of the administration in an organization.

Without question, the outstanding contribution to the analysis of the organizing process was *Onward Industry*, by Mooney and Reiley, which first appeared in 1931. The important hypothesis in the Mooney and Reiley work is the distinction between organizing as an activity and the administration of an organization. The activities of organizing take place prior to administration. Hence, organizing is placed on the level of a science, whereas administration is considered by these writers as an art.

Mooney and Reiley were not concerned with mechanics, however. Their work contributed to the meaning of relationships in organization rather than merely structure.

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Mooney and Reiley did not have too much to say about running the organization once organizing activities were completed. This task was left to Elton Mayo and his associates. Compared with the conclusions of the Hawthorne studies, Dennison's and Dutton's view of the human phases of organization seem inadequate.

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The professionalization of management followed two paths to arrive at the common goal of the concept of the administrator. Davis and Mooney and Reiley made basic contributions on the process side of administrative skill, and Mayo contributed to the human aspects of administration. Both these phases of administrative skill had some precedence in the past. But the 1930's marked the point at which the literature for professional managers took divided courses into (1) essentially "non people-oriented" process fundamentals and (2) human relations.

In summary, the technical writers, responding to the professionalization of management, produced a positive definition of the administrator. The administrative concept, because of the emphasis given to the "human" skills, was in large part a result of the collision effect and a reflection of the social ethic. Such words as plans, coordination, motivation, leadership, and human relations used in the context of the writers of the thirties are symbolic of ideologies, or parts of ideologies, flowing from the need for a management ethic founded in a social value system.

Reprinted, with permission, from "The Social Ethic in Management Literature", by William G. Scott, Bureau of Business and Economic Research, Georgia State College of Business Administration, 1959.

John F. Mee Named Vice President For Research and Development

Dause L. Bibby and the Executive Committee of S.A.M. announce that Dr. John F. Mee, Chairman and Professor of the Department of Management, School of Business, Indiana University, has accepted the post of S.A.M. Vice President for Research and Development.

Dr. Mee, a Fellow in S.A.M. and a member of the Society since 1933, is a foremost figure among the "modern pioneers" in management. He is a past president of the Academy of Management and a member of its four-man Board of Governors. He serves on the Education Committee for the Institute of Management Sciences. He is Chairman of the Board of the Universal Life and Accident Insurance Company and Director of the Indiana Executive Development Program. He has served as Consultant and Instructor in numerous Executive Development Programs for the Internal Revenue Service, The Texas Company, The Firestone Tire and Rubber Company, Quaker Oats Company, Mead Johnson and Company, The Goodyear Tire and Rubber Company, Prudential Life Insurance Company, and others.

Dr. Mee has published extensively in the management field. He is Editor of the *Personnel Handbook* published by Ronald Press and a contributing Editor to the *Production Handbook*. He is Co-editor of the Irwin book series in Industrial Engineering and Management, and Chairman of the Editorial Board of *Business Horizons*.

The new Vice President's intensive involvement in the theory and practice of management is rounded out with an enthusiastic interest in athletics. He is Chairman of the Indiana University Athletics Committee and Big-Ten Representative. In addition, he is Chairman of the Big-Ten Faculty Representative group.

Dr. Mee earned his A.B. from Miami University, his A.M. from the University of Maine, and his Ph.D. from Ohio State University.

University Division

WHILE THE University Division has grown in four years from 69 chapters and 1910 members to 154 chapters and over 10,700 enrolled during the last academic year, it is heartening and reassuring to observe the continued generation of additional interest in the University Program. The title of the new University Division brochure, "Moving Forward", is not a misnomer.

We were happy to note the progress of the *Southern Illinois University Chapter*, inaugurated last May with the cooperation of the *St. Louis Chapter* (see below).

McNeese State College Chapter of Lake Charles, Louisiana, was chartered on August 1. Already they have developed comprehensive plans for a full year of activities under the direction of Professors Laura M. Patterson and Armand L. Perrault and the leadership of their student president, John William Whiting, Jr.

It was a pleasure for the writer and Mrs. Fischer to present personally the charter to the new *Elizabethtown College Chapter* on October 22, 1959. Several officers of the *Lancaster Chapter* were in attendance on this important occasion. Great things are expected from this newest addition to our family of University Chapters under the guidance of Dr. Albert L. Gray and the direction of Stanley R. Neyer, student president.

At the Awards Banquet of the Fall Management Conference on October 29, 1959, in the Gold Ballroom of the Hotel Statler, New York City, the *Remington Rand Performance Awards* were presented to the following chapters in recognition of their outstanding programs of educational activities during the 1958-1959 academic year: *Babson Institute, American University, Georgia Institute of Technology, Boston University, Boston College, Loyola University of Chicago, Ohio University, Villa Madonna College, LaSalle College — Evening Division, Rider College, and Sacramento State College.*

In addition, chapter banners and citations were earned by the *University of Tennessee, University of Houston, and University of Connecticut Chapters* while special commendation citations were received by the *Alabama Polytechnic Institute, University of Pittsburgh, University of Wisconsin-Milwaukee, and University of Illinois Chapters.*

The following chapters earned the Newsletter Award of Merit for their contribution to the advancement and understanding of the principles of the Society through their newsletters: *Georgia Institute of Technology* —NORTH AVENUE JOURNAL; *Temple University, Evening Division*—S.A.M. SLANTS; *University of Wisconsin-Milwaukee* — TODAY'S LEADER; *Ohio University*—THE QUEST; *Boston College*—THE EXECUTIVE; *and Rider College*—THE S.A.M. LAMPLIGHTER.

Special Activity Merit Awards were presented to seven chapters in recognition of unusual and unique achievements for which adequate credit is not provided in the Performance Awards Plan: *Boston University, University of Pittsburgh, Fenn College, Georgia Institute of Technology, Loyola University of Chicago, University of Bridgeport, and American University.*

The University Chapter Promotion Awards were received by the following Senior Chapters for their achievement in advancing the art and science of management through the successful promotion and support of new University Chapters: *Cleveland* (three awards), *Central New York, Fox Valley, New Haven, New York, Philadelphia* (two awards) and *St. Louis.*

Several University Chapters were honored for outstanding service. The *Clarkson College of Technology Chapter* was the recipient of the Gold Key Award of the *Montreal Chapter* of S.A.M. The Blue Key Award was earned by the *Loyola University Chapter of Chicago* as the institution's outstanding campus organization for the 1958-1959 academic year. The *LaSalle College—Evening Division Chapter* won the *Philadelphia Chapter's* yearly award.

The past year was one of many accomplishments for the individual University Chapters of the Society for Advancement of Management. This year looks even brighter. —*Professor Harold Fischer, Vice President University Division S.A.M.*

Southern Illinois University Charter Presentation: Left to right are Frank F. Stamberg, faculty advisor; Kenneth Thompson, student president; William A. Barker, S.A.M. regional vice president; and Dr. Everette N. Hong, chairman, Department of Management, Southern Illinois School of Business.